

Reps. Welch, Hinchey and Tierney unveil amendment to Credit Cardholders' Bill of Rights at Tuesday press conference

Rep. Peter Welch announced Tuesday he will seek an amendment to the Credit Cardholder's Bill of Rights that would cap credit card interest rates at 18 percent.

Welch announced the amendment at a Capitol Hill press conference Tuesday morning alongside two cosponsors, Rep. Maurice Hinchey (D-NY) and Rep. John Tierney (D-MA). The Credit Cardholder's Bill of Rights is expected to be voted on in the House of Representatives on Thursday.

"Congress cannot sit on the sidelines while the credit card industry raises interest rates to levels that would embarrass the mafia. The very same companies that are taking taxpayer assistance through TARP are putting the screws to customers at a time when many are struggling to make ends meet," Welch said. "It's long past time that we put the brakes on these abusive practices and return to an era of fairness, responsibility and reasonable regulation."

The Welch-Hinchey amendment would impose an 18 percent interest rate cap on credit cards issued by for-profit financial institutions - similar to the 15 percent cap that currently exists at every federal credit union in the country. The amendment has a mechanism comparable to one used by the National Credit Union Administration for credit unions that allows the Federal Reserve to authorize higher interest rates if it determines that the rate cap would threaten the safety and soundness of card-issuing institutions.

Since the deregulation of the credit card industry and the defeat of effective usury protections, credit card APRs have skyrocketed. According to a Demos study citing Federal Reserve Board data, the maximum reported credit card APR in 1990 was 22 percent. By 2004, that number had nearly doubled to 41 percent.

Credit card debt in U.S. households grew nearly 20 percent in just four years - from \$800 billion in 2004 to a record \$977 billion in the third quarter of 2008. The average American household's debt from credit cards has risen from \$2,966 in 1990 to \$9,840 in 2007.

In 2007, credit-card issuers imposed \$18.1 billion in penalty fees on families carrying credit card balances - up more than 50 percent since 2003 and accounting for nearly half of the \$40.7 billion in industry profits. Last year's estimates were that credit card companies would break all records for late fees, over-limit charges, and other penalties, and pull in more than \$19 billion.

Sen. Bernie Sanders (I-VT) has introduced in the U.S. Senate similar legislation capping credit card interest rates at 15 percent.